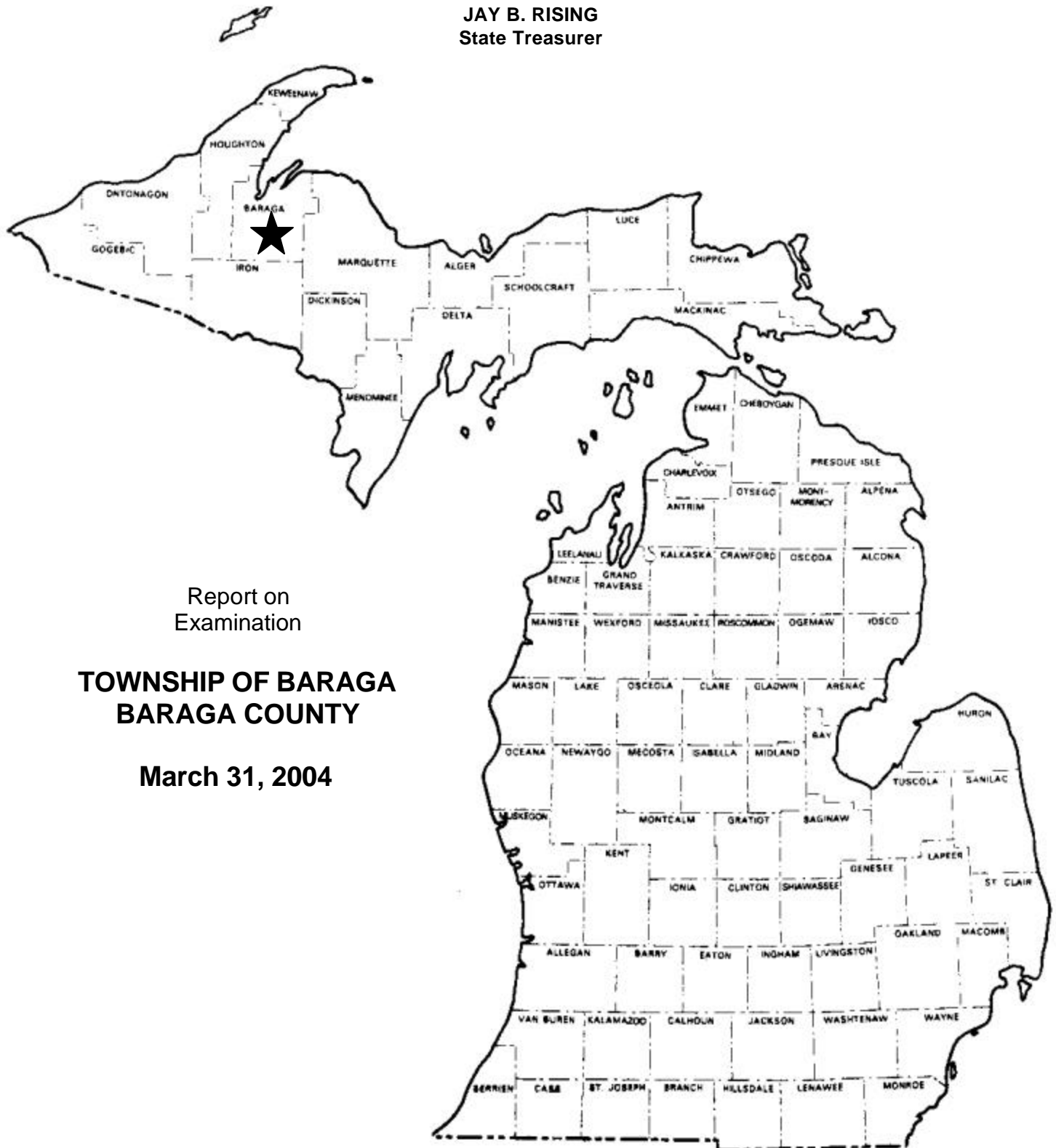


STATE OF MICHIGAN
JENNIFER M. GRANHOLM, Governor
DEPARTMENT OF TREASURY

JAY B. RISING
State Treasurer



Report on
Examination

**TOWNSHIP OF BARAGA
BARAGA COUNTY**

March 31, 2004

Local Audit and Finance Division
Bureau of Local Government Services

BARAGA TOWNSHIP--BARAGA COUNTY

TOWNSHIP BOARD

Donald Takala
Supervisor

Jeffrey Howe
Clerk

Catherine Wadaga
Treasurer

Jerry Dompier
Trustee

Glen Juntunen
Trustee

TOWNSHIP POPULATION--2000
2257

STATE EQUALIZED VALUATION--2003
\$65,825,981



JENNIFER M. GRANHOLM
GOVERNOR

STATE OF MICHIGAN
DEPARTMENT OF TREASURY
LANSING

JAY B. RISING
STATE TREASURER

August 5, 2004

Baraga Township Board
Baraga County
P.O. Box 246
Baraga, Michigan 49903

Independent Auditor's Report

Dear Board Members:

We have audited the accompanying financial statements of Baraga Township, Baraga County, Michigan, as of and for the year ended March 31, 2004, as listed in the Table of Contents. These financial statements are the responsibility of Baraga Township's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

The financial statements referred to above do not include the general fixed asset account group, which should be included in order to conform with accounting principles generally accepted in the United States of America. The amount that should be recorded in the general fixed assets account group is not known.

In our opinion, except for the omission of the general fixed assets (discussed in the fourth paragraph) which results in an incomplete presentation, the financial statements referred to above present fairly, in all material respects, the financial position of Baraga Township, Baraga County, as of March 31, 2004 and the results of its operations for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with Government Auditing Standards, we have also issued our report dated August 5, 2004, on our consideration of Baraga Township's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants.

Our audit was performed for the purpose of forming an opinion on the financial statements of Baraga Township, taken as a whole. The accompanying supplemental and related information in Exhibits F through J are presented for purposes of additional analysis and are not a required part of the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the financial statements, taken as a whole.

A handwritten signature in dark ink, appearing to read 'CJ Vaughn', is positioned above the printed name.

Cary Jay Vaughn, CPA, CGFM
Audit Manager
Local Audit and Finance Division

BARAGA TOWNSHIP--BARAGA COUNTY

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BARAGA TOWNSHIP--BARAGA COUNTY
COMBINED BALANCE SHEET--ALL FUND TYPES
March 31, 2004

EXHIBIT A

	GOVERNMENTAL FUND TYPES		FIDUCIARY FUND TYPE	
	General Fund	Special Revenue	Trust and Agency Fund	Total (Memorandum Only)
<u>ASSETS</u>				
Cash	\$ 184,789	\$ 217,209	\$ 114	\$ 402,112
Investments With Fiscal Agents			57,327	57,327
Delinquent Taxes Receivable	10,804	20,758		31,562
Due From State	19,011			19,011
Due From Other Funds	114			114
Total Assets	<u>\$ 214,718</u>	<u>\$ 237,967</u>	<u>\$ 57,441</u>	<u>\$ 510,126</u>
<u>LIABILITIES AND FUND EQUITY</u>				
Liabilities				
Accounts Payable	\$ 1,864	\$ 9,605		\$ 11,469
Due to Other Funds			\$ 114	114
Total Liabilities	<u>1,864</u>	<u>9,605</u>	<u>114</u>	<u>11,583</u>
Fund Equity				
Fund Balance				
Restricted for Capital Outlay		76,023		76,023
Unreserved	212,854	152,339		365,193
Reserve for Pension Trust			57,327	57,327
Total Fund Equity	<u>212,854</u>	<u>228,362</u>	<u>57,327</u>	<u>498,543</u>
Total Liabilities and Fund Equity	<u>\$ 214,718</u>	<u>\$ 237,967</u>	<u>\$ 57,441</u>	<u>\$ 510,126</u>

The Notes to Financial Statements are an integral part of this statement.

BARAGA TOWNSHIP--BARAGA COUNTY
COMBINED STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES--ALL GOVERNMENTAL FUND TYPES
For the Year Ended March 31, 2004

EXHIBIT B

	General	Special Revenue	Total (Memorandum Only)
Revenues			
Taxes	\$ 94,180	\$ 125,826	\$ 220,006
Licenses and Permits	-	16,256	16,256
Federal Aid--FEMA	-	20,744	20,744
State Grants	149,480	330	149,810
Charges for Services	5,658	-	5,658
Interest	2,740	-	2,740
Other Revenue	7,629	57,067	64,696
Total Revenues	259,687	220,223	479,910
Expenditures			
Legislative	9,418	-	9,418
General Government	85,830		85,830
Public Safety	10,508	61,352	71,860
Public Works	16,787	-	16,787
Health and Welfare	-	74,588	74,588
Recreation and Culture	7,295	-	7,295
Capital Outlay	-	10,637	10,637
Other	9,318	-	9,318
Total Expenditures	139,156	146,577	285,733
Excess of Revenues Over (Under) Expenditures	120,531	73,646	194,177
Other Financing Sources (Uses)			
Operating Transfers In		78,230	78,230
Operating Transfers (Out)	(78,230)		(78,230)
Total Other Financing Sources (Uses)	(78,230)	78,230	-
Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses	42,301	151,876	194,177
Fund Balance--April 1, 2003	170,553	76,486	216,127
Fund Balance--March 31, 2004	\$ 212,854	\$ 228,362	\$ 410,304

The Notes to Financial Statements are an integral part of the statement.

BARAGA TOWNSHIP--BARAGA COUNTY
STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES--BUDGET AND ACTUAL
GENERAL FUND AND SPECIAL REVENUE FUNDS
For the Fiscal Year Ended March 31, 2004

EXHIBIT C

	GENERAL FUND			SPECIAL REVENUE FUNDS		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
Revenues						
Taxes	\$ 80,800	\$ 94,180	\$ 13,380	\$ 126,025	\$ 125,826	\$ (199)
Licenses and Permits				15,500	16,256	756
Federal Aid--FEMA				50,000	20,744	(29,256)
State Grants	145,000	149,480	4,480	330	330	-
Charges for Services	-	5,658	5,658	-	-	-
Interest	1,200	2,740	1,540	-	-	-
Other Revenue	-	7,629	7,629	59,131	57,067	(2,064)
Total Revenue	227,000	259,687	32,687	250,986	220,223	(30,763)
Expenditures						
Legislative	15,040	9,418	5,622			
General Government	107,749	85,830	21,919			
Public Safety	13,815	10,508	3,307	182,300	61,352	120,948
Public Works	10,899	16,787	(5,888)			
Health and Welfare				80,718	74,588	6,130
Recreation and Culture	8,295	7,295	1,000			
Capital Outlay				90,000	10,637	79,363
Other	10,000	9,318	682			
Total Expenditures	165,798	139,156	26,642	353,018	146,577	206,441
Excess of Revenues Over (Under) Expenditures	61,202	120,531	59,329	(102,032)	73,646	175,678
Other Financing Sources (Uses)						
Operating Transfers In					78,230	78,230
Operating Transfers (Out)	-	(78,230)	(78,230)			
Total Other Financing Sources (Uses)	-	(78,230)	(78,230)	-	78,230	78,230
Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses	61,202	42,301	(18,901)	(102,032)	151,876	253,908
Fund Balance--April 1, 2003	-	170,553	142,365	-	76,486	73,762
Fund Balance--March 31, 2004	\$ 61,202	\$ 212,854	\$ 123,464	\$ (102,032)	\$ 228,362	\$ 330,394

The Notes to Financial Statements are an integral part of this statement.

**BARAGA TOWNSHIP--BARAGA COUNTY
STATEMENT OF NET ASSETS
PENSION TRUST FUND
For the Year Ended March 31, 2004**

EXHIBIT D

Additions

Investment Income	
Interest and Dividends	<u>\$ 15,608</u>
Net Investment Income	15,608
Contributions	
Employer	<u>7,020</u>
Total Additions	<u>22,628</u>

Deductions

Net Depreciation in Fair Market Value	-
Distributions	-
Administrative and Other Expenses	<u>718</u>
Total Deductions	<u>718</u>
Net Increase (Decrease) in Net Assets	21,910

Net Assets Held in Trust for Pension Benefits

Beginning of Year	<u>35,417</u>
End of Year	<u><u>\$ 57,327</u></u>

The Notes to Financial Statements are an integral part of this statement.

BARAGA TOWNSHIP--BARAGA COUNTY

NOTES TO FINANCIAL STATEMENTS

NOTE A--REPORTING ENTITY

Baraga Township is located in Baraga County and provides services to its residents in many areas including fire protection, street lighting, community enrichment and development, and human services. Baraga Township is a general law township governed by a 5 member board elected by the citizens of Baraga Township. The board consists of the supervisor, clerk, treasurer and two trustees whom reside in the community.

In accordance with generally accepted accounting principles and Governmental Accounting Standards Board (GASB) Statement No. 14, "The Financial Reporting Entity," these financial statements present the township. The criteria established by the GASB for determining the reporting entity includes oversight responsibility, fiscal dependency, and whether the financial statements would be misleading, if data were not included. Educational services are provided through the local school districts, which are separate governmental entities and, therefore, are not presented in the financial statements included herein. The township is the primary government and there are no other component units that should be reported.

RELATED ORGANIZATIONS

Bay Ambulance, Inc.

Baraga Township in conjunction with the Arvon, L'Anse, and Laird Townships and Keweenaw Bay Tribal Community have entered into agreements with the Bay Ambulance, Inc., to provide ambulance service to the citizens of the respective units. The local units of government do not participate in the operation of the Bay Ambulance, Inc., other than the payment of a set rate of \$14.00 per citizen. Approximately 40% of the operating support for the Bay Ambulance, Inc., was attributable to the townships and Keweenaw Bay Indian Community. The following is a summary of the amounts paid to the Bay Ambulance, Inc.:

<u>Unit</u>	<u>Population</u>	<u>Payments</u>
Arvon Township	482	\$ 6,748
Baraga Township	1,813	49,588
L'Anse Township	3,926	54,964
Laird Township	634	8,876
Keweenaw Bay Indian Community		17,000

The township paid an additional \$25,000 during 2004. The township had received \$25,000 from the Keweenaw Bay Tribal Community as part of the 2% "net win" (gaming fees) and they had requested that these funds be used for ambulance purposes.

BARAGA TOWNSHIP--BARAGA COUNTY

NOTES TO FINANCIAL STATEMENTS

NOTE B--BASIS OF PRESENTATION

The accounts of the township are organized on the basis of funds and account groups, each of which is considered a separate accounting entity. The operations of each fund is accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund balance, revenues and expenditures. Government resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled. The various funds are grouped in the financial statements in this report into three generic fund types.

GOVERNMENTAL FUNDS

General Fund

This fund is used to account for all financial transactions except those provided for in another fund. The fund includes the general operating expenditures of the township. Revenues are primarily derived from property taxes, State grants and permits.

Special Revenue Funds

These funds are used to account for specific revenue (other than special assessments, expendable trusts, or major capital projects) derived from State and Federal grants, property taxes and charges for services which are to be expended for specific purposes as dictated by legal, regulatory or administrative requirements.

FIDUCIARY FUNDS

Trust and Agency Fund

These funds are used to account for the assets held by a governmental unit in a trustee capacity or as an agent for individuals, private organizations, other governmental units and/or funds. These include agency funds and a pension trust fund.

NOTE C--MEASUREMENT FOCUS/BASIS OF ACCOUNTING

Measurement focus refers to what is being measured; basis of accounting refers to when revenues and expenditures are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurement made, regardless of the measurement focus applied.

BARAGA TOWNSHIP--BARAGA COUNTY

NOTES TO FINANCIAL STATEMENTS

NOTE C--MEASUREMENT FOCUS/BASIS OF ACCOUNTING (Continued)

Governmental Funds

The governmental fund types use a financial resources measurement focus and are accounted for using the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recorded when susceptible to accrual, i.e., both measurable and available. Available means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. Current expenditures are generally recorded when the fund liability is incurred, if measurable. Exceptions to this general rule include principal and interest on long-term debt, which is recognized when due.

Fiduciary Funds

The fiduciary funds are maintained on a cash basis, which is consistent with the accounting measurement objectives of the funds. Reporting this fund on a cash basis does not have an effect materially different from reporting it on the accrual or modified accrual basis as required by generally accepted accounting principles. The pension trust fund also uses the accrual basis of accounting. Revenues are recorded when they are measurable and earned, and expenditures are recorded when the related liability is incurred.

Budgets and Budgetary Accounting

Budgets are adopted by the township board for the general, and special revenue funds. The budget basis of accounting does not differ significantly from the modified accrual basis used to reflect actual revenues and expenditures for these funds. The budget is adopted at the activity level and control is exercised at the activity level. The township board monitors and amends the budgets as necessary.

The budgeted revenues and expenditures for governmental fund types, as presented in Exhibit C, include any authorized amendments to the original budget as adopted.

Cash, Cash Equivalents and Investments

Investments are recorded at cost. Demand deposits and short-term investments with a maturity date of 3 months or less when acquired are considered to be cash equivalents.

BARAGA TOWNSHIP--BARAGA COUNTY

NOTES TO FINANCIAL STATEMENTS

NOTE C--MEASUREMENT FOCUS/BASIS OF ACCOUNTING (Continued)

Fixed Assets

The accounting policies of Baraga Township as they relate to fixed assets are not in accordance with accounting principles generally accepted in the United States of America, in that the general fixed assets are not recorded. Fixed asset purchases by the township's governmental funds are recorded as capital outlay expenditures at the time of purchase and are required by generally accepted accounting principles to be accounted for in the general fixed assets account group. No depreciation is recorded for these general fixed assets. Infrastructure assets, including roads, bridges, sanitary sewers, drains, curbs and gutters are not capitalized.

Property Taxes

It is the township's policy to recognize revenues in the current year when the proceeds are budgeted and made available for the financing of township operations.

The 2003 taxable value of Baraga Township amounted to \$45,553,712, on which ad valorem taxes of 3.6896 mills were levied for the following purposes: .9882 mills for Township Operating, 1.9764 mills for Fire Service and .7250 mills for Ambulance Service. The 2003 current tax levy included \$46,431 for Township Operations, \$92,769 for Fire Service and \$33,057 for Ambulance Service. These taxes are recorded as revenue on the townships records when received.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of the following: assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

Total Memorandum Only

The total columns on the combined statement are captioned "Memorandum Only" to indicate that they are presented only to facilitate financial analysis. Data in these columns do not present financial position, results of operations or changes in financial position in conformity with generally accepted accounting principles. Neither is such data comparable to a consolidation because interfund elimination have not been made in the aggregation of this data.

BARAGA TOWNSHIP--BARAGA COUNTY

NOTES TO FINANCIAL STATEMENTS

NOTE D--MATERIAL VIOLATIONS OF LEGAL AND CONTRACTUAL PROVISIONS

Budget Information

In March, a public hearing is held for public comment on the proposed budget. The budget is then presented and approved by the township board for the General Fund and the Special Revenue Funds based on anticipated required cash disbursements for the fiscal year April 1, 2003, through March 31, 2004, which is consistent with the cash basis of accounting for governmental fund types. Budgets are adopted for the General Fund and Special Revenue Funds as required by statute. Unexpended appropriations lapse at year-end. The township's annual budget is adopted on a departmental basis at the activity level. Budgeted amounts presented in the financial statements are as originally adopted and amended by the township board on a quarterly basis. However, the budget adopted was not prepared in compliance with Public Act 2 of 1968, as amended.

Excess of Expenditures Over Appropriations in Budgeted Funds

Public Act 2 of 1968, as amended, requires the adoption of a balanced budget for General and Special Revenue Funds, as well as budget amendments as needed to prevent actual expenditures from exceeding those provided for in the budget. During the year, the township incurred expenditures in certain budgeted activities/funds, which were in excess of the amounts appropriated, as follows:

	<u>Budget</u>	<u>Actual</u>	<u>(Variance)</u>
General Fund			
Township Hall	\$5,800	\$ 7,321	\$ (1,521)
Roads		10,000	(10,000)
Transfers (Out)		78,230	(78,230)

The Special Revenue Funds were not balanced and in some cases, a deficit budget was adopted.

NOTE E--CASH AND INVESTMENTS

Michigan Compiled Laws, Section 129.91, authorizes the township to deposit and invest in the accounts of Federally insured banks, credit unions, and savings and loan associations; bonds, securities and other direct obligations of the United States, or any agency or instrumentality of the United States; United States government or Federal agency obligation repurchase agreements; bankers' acceptance of United States banks; commercial paper rated by two standard rating agencies within the two highest classifications, which mature not more than 270 days after the date of purchase; obligations of the State of Michigan or its political subdivisions which are rated investment grade; and mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan. Financial institutions eligible for deposit of public funds must maintain an office in Michigan.

BARAGA TOWNSHIP--BARAGA COUNTY

NOTES TO FINANCIAL STATEMENTS

NOTE E--CASH AND INVESTMENTS (Continued)

The township board has designated one bank for the deposit of township funds. The investment policy adopted by the board in accordance with Public Act 196 of 1997 has authorized investment in bonds and securities of the United States government but not the remainder of the State statutory authority as listed above.

Governmental Accounting Standards Board (GASB) Statement No. 3, risk disclosures for the township's cash deposits, are as follows:

<u>Deposits</u>	<u>Carrying Amount</u>	<u>Bank Balance</u>
Insured (FDIC)	\$ 100,000	\$ 100,000
Uninsured	<u>302,112</u>	<u>629,287</u>
Total Deposits and Imprest Cash	<u><u>\$402,112</u></u>	<u><u>\$729,287</u></u>

Pension Trust Fund--Investments

The township has investments purchased through the Manulife Group & Pension for the township's pension plan. The township's pension investments are in accordance with statutory authority.

The pension plan monies are invested in insurance guaranteed funds, which cannot, by definition, be categorized by risk. A summary of the investments at March 31, 2004, which are recorded at market value, may be presented as follows:

	<u>Fair Value</u>	<u>Carrying Value</u>
Insurance Guaranteed Account	<u><u>\$57,327</u></u>	<u><u>\$57,327</u></u>

BARAGA TOWNSHIP--BARAGA COUNTY

NOTES TO FINANCIAL STATEMENTS

NOTE F--RETIREMENT PLAN

The township provides pension benefits for all of its elected or appointed officials through a defined contribution plan administered by the Manufacturers Life Insurance Company, known as Baraga Township Group Pension Plan. In a defined contribution plan, benefits depend solely on amounts contributed to the plan plus investment earnings. Employees are eligible to participate in the plan on the first entry date coinciding with or immediately following the date of employment provided the employee is at least 18 years old but not more than age 75. The township will contribute to the plan an amount up to 20% of the annual compensation. Employees may also make voluntary pretax contributions to the plan up to a maximum of 5% of their annual compensation. The township's contributions for each employee are fully vested as they are earned. Employee contributions to the plan are also fully vested, along with investment earnings. The township contributed \$7,020 as required by the plan. There were five (5) covered employees for the year ended March 31, 2004.

NOTE G--INTERFUND RECEIVABLES AND PAYABLES

The amounts of interfund receivables and payables for the township are as follows:

<u>Fund</u>	<u>Interfund Receivable</u>	<u>Fund</u>	<u>Interfund Payable</u>
General Fund	<u>\$ 114</u>	Trust and Agency	<u>\$ 114</u>
Total	<u><u>\$ 114</u></u>	Total	<u><u>\$ 114</u></u>

NOTE H--RISK MANAGEMENT

The township is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The township continues to carry commercial insurance for property, liability, wrongful acts, crime, inland marine, and other risks of loss including workers' compensation and accident insurance. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past 3 fiscal years.

NOTE I--LEASE

The township is currently leasing the garage for the Baraga Fire Department from the Village of Baraga. Terms of the lease call for annual payments of \$6,500 for eight years. During 2004, \$6,500 was paid to the Village of Baraga.

BARAGA TOWNSHIP--BARAGA COUNTY

NOTES TO FINANCIAL STATEMENTS

NOTE J--CONTINGENT LIABILITIES--GENERAL FUND

Tax Rolls

At the present time, a case is pending against Baraga Township in which the adverse party is the Michigan Tax Commission. The township was successful in the trial court and on appeal to the Court of Appeals, but recently lost a decision on appeal to the Michigan Supreme Court. The potential liability will probably be limited to the cost of modifying the tax roll, some \$11,000-\$13,000.

BARAGA TOWNSHIP--BARAGA COUNTY
STATEMENT OF REVENUES
BUDGET TO ACTUAL--GENERAL FUND
For the Year Ended March 31, 2004

EXHIBIT E

	Budget	Actual	Variance Favorable (Unfavorable)
Revenues			
Taxes			
Property Taxes	\$ 41,700	\$ 46,431	\$ 4,731
National Forest Reserve	6,700	5,771	(929)
Swamp Land	20,400	20,366	(34)
Property Tax Administration Fee	12,000	21,612	9,612
Total Taxes	80,800	94,180	13,380
State Aid			
State Revenue Sharing	145,000	149,480	4,480
Total State Aid	145,000	149,480	4,480
Charges for Service			
Miscellaneous		5,658	5,658
Total Charges for Service	-	5,658	5,658
Interest and Royalties			
Interest	1,200	2,740	1,540
Total Interest	1,200	2,740	1,540
Other Revenue			
Donations From Private Sources		4,320	4,320
Misc		3,309	3,309
Total Other Revenue	-	7,629	7,629
Total Revenue	\$227,000	\$259,687	\$ 32,687

BARAGA TOWNSHIP--BARAGA COUNTY
STATEMENT OF EXPENDITURES
BUDGET AND ACTUAL--GENERAL FUND
For the Year Ended March 31, 2004

EXHIBIT F

	Budget	Actual	Variance Favorable (Unfavorable)
Legislative			
Township Board	\$ 15,040	\$ 9,418	\$ 5,622
General Government			
Supervisor	15,560	11,630	3,930
Elections	7,000	130	6,870
Assessor	18,550	18,330	220
Legal Services	5,000	3,930	1,070
Clerk	21,750	15,041	6,709
Board of Review	2,117	989	1,128
Treasurer	26,372	24,324	2,048
Township Hall	5,800	7,321	(1,521)
Cemetery	5,600	4,135	1,465
Total General Government	107,749	85,830	21,919
Public Safety			
Fire Protection	10,000	7,759	2,241
Planning and Zoning	3,815	2,749	1,066
Total Public Safety	13,815	10,508	3,307
Public Works			
Street Lighting	5,000	4,888	112
Roads	-	10,000	(10,000)
Garbage	5,899	1,899	4,000
Total Public Works	10,899	16,787	(5,888)
Recreation and Culture			
Historical Society	3,000	3,000	-
Recreation	5,295	4,295	1,000
Total Recreation and Culture	8,295	7,295	1,000
Other			
Insurance/Bonds	10,000	9,318	682
Total Other	10,000	9,318	682
Total Expenditures	165,798	139,156	26,642
Other Financing Uses			
Operating Transfers (Out)		78,230	(78,230)
Total Other Financing Sources Uses	-	78,230	(78,230)
Total Expenditures and Other Financing Uses	\$ 165,798	\$ 217,386	\$(51,588)

BARAGA TOWNSHIP--BARAGA COUNTY
COMBINING BALANCE SHEET
SPECIAL REVENUE FUNDS
March 31, 2004

EXHIBIT G

	Fire Fund	Ambulance Fund	Liquor Law	Building Fund	Total
<u>ASSETS</u>					
Cash	\$ 165,839	\$ 46,319	\$ 10	\$ 5,041	\$ 217,209
Delinquent Taxes Receivable	15,188	5,570			20,758
Total Assets	<u>\$ 181,027</u>	<u>\$ 51,889</u>	<u>\$ 10</u>	<u>\$ 5,041</u>	<u>\$ 237,967</u>
<u>LIABILITIES AND FUND EQUITY</u>					
Liabilities					
Accounts Payable	\$ 9,605				\$ 9,605
Total Liabilities	<u>9,605</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>9,605</u>
Fund Equity					
Fund Balance--Restricted for Capital Outlay	76,023				76,023
Fund Balance--Unreserved	95,399	51,889	10	5,041	152,339
Total Fund Equity	<u>171,422</u>	<u>51,889</u>	<u>10</u>	<u>5,041</u>	<u>228,362</u>
Total Liabilities and Fund Balance	<u>\$ 181,027</u>	<u>\$ 51,889</u>	<u>\$ 10</u>	<u>\$ 5,041</u>	<u>\$ 237,967</u>

BARAGA TOWNSHIP--BARAGA COUNTY
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES--SPECIAL REVENUE FUNDS
For the Fiscal Year Ended March 31, 2004

EXHIBIT H

	Fire Fund	Ambulance Fund	Liquor Law	Building Fund	Total
Revenues					
Taxes	\$ 92,769	\$ 33,057			\$ 125,826
Licenses and Permits				\$ 16,256	16,256
Federal--FEMA	20,744				20,744
State Aid			\$ 330		330
Other	32,067	25,000			57,067
Total Revenue	145,580	58,057	330	16,256	220,223
Expenditures					
Public Safety	46,853		560	13,939	61,352
Health and Welfare		74,588			74,588
Capital Outlay	10,637				10,637
Total Expenditures	57,490	74,588	560	13,939	146,577
Excess of Revenues Over (Under) Expenditures	88,090	(16,531)	(230)	2,317	73,646
Other Financing Sources (Uses) Operating Transfers In	78,000		230		78,230
Total Other Financing Sources (Uses)	78,000	-	230	-	78,230
Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses	166,090	(16,531)	-	2,317	151,876
Fund Balances--April 1, 2003	5,332	68,420	10	2,724	76,486
Fund Balances--March 31, 2004	\$ 171,422	\$ 51,889	\$ 10	\$ 5,041	\$ 228,362

BARAGA TOWNSHIP--BARAGA COUNTY
COMBINING STATEMENT OF ASSETS AND LIABILITIES
ALL AGENCY FUNDS AND PENSION TRUST FUND
March 31, 2004

EXHIBIT I

	<u>AGENCY FUNDS</u>		<u>PENSION</u> <u>TRUST FUND</u>	
	Trust and Agency	Current Tax Collection	Employees Pension	Total
<u>ASSETS</u>				
Cash	\$ 114	-		\$ 114
Investments With Fiscal Agents			\$ 57,327	57,327
Total Assets	\$ 114	\$ -	\$ 57,327	\$ 57,441
<u>LIABILITIES AND FUND BALANCE</u>				
Liabilities				
Due to Other Funds	\$ 114	-		\$ 114
Total Liabilities	\$ 114	\$ -	\$ -	\$ 114
Fund Balance				
Reserve for Pension Trust			57,327	57,327
Total Fund Balance	-	-	57,327	57,327
Total Liabilities and Fund Balance	\$ 114	\$ -	\$ 57,327	\$ 57,441

BARAGA TOWNSHIP--BARAGA COUNTY
STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
ALL AGENCY FUNDS
For the Year Ended March 31, 2004

EXHIBIT J

	Balance 04/01/03	Additions	Deductions	Balance 03/31/2004
<u>Trust and Agency Fund</u>				
Assets				
Cash	\$ 380	\$ 18,565	\$ 18,831	\$ 114
Total Assets	\$ 380	\$ 18,565	\$ 18,831	\$ 114
Liabilities				
Due to Other Funds	\$ 380	\$ 365	\$ 631	\$ 114
Due to County		3,565	3,565	-
Due to Schools		4,587	4,587	-
Due to Village				-
Due to State of Michigan		1,538	1,538	-
Due to Federal Government		8,510	8,510	-
Total Liabilities	\$ 380	\$ 18,565	\$ 18,831	\$ 114
<u>Current Tax Collection</u>				
Assets				
Cash	\$ 273,158	\$ 1,603,005	\$ 1,876,163	-
Total Assets	\$ 273,158	\$ 1,603,005	\$ 1,876,163	\$ -
Liabilities				
Due to Other Funds	\$ 7,056	\$ 153,132	\$ 160,188	-
Due to County	75,517	768,704	844,221	-
Due to Schools	116,919	679,262	796,181	-
Due to Village	73,666	409	74,075	-
Undistributed Taxes				-
Tax Overpayments		1,498	1,498	-
Total Liabilities	\$ 273,158	\$ 1,603,005	\$ 1,876,163	\$ -



JENNIFER M. GRANHOLM
GOVERNOR

STATE OF MICHIGAN
DEPARTMENT OF TREASURY
LANSING

JAY B. RISING
STATE TREASURER

August 5, 2004

Baraga Township Board
Baraga County
P.O. Box 246
Baraga, Michigan 49903

RE: Report on Compliance and on Internal Control over Financial Reporting
Based on an Audit of Financial Statements Performed in Accordance With
Government Auditing Standards

Dear Board Members:

We have audited the financial statements of Baraga Township as of and for the year ended March 31, 2004, and have issued our report thereon dated August 5, 2004. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Compliance--As part of obtaining reasonable assurance about whether Baraga Township's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under Government Auditing Standards. However, we did note an instance of noncompliance described in the accompanying Report of Comments and Recommendations.

Internal Control Over Financial Reporting--In planning and performing our audit, we considered Baraga Township's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. However, we noted certain matters involving the internal control over financial

reporting and its operation that we consider to be material weaknesses. The material weaknesses are described in the accompanying comments and recommendations section of our report.

This report is intended solely for the information of the township board, management and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties. However, this report is a matter of public record and its distribution is not limited.

A handwritten signature in dark ink, appearing to read 'CJ Vaughn', with a long horizontal flourish extending to the right.

Cary Jay Vaughn, CPA, CGFM
Audit Manager
Local Audit and Finance Division

BARAGA TOWNSHIP--BARAGA COUNTY

COMMENTS AND RECOMMENDATIONS

MATERIAL INTERNAL CONTROL WEAKNESSES

Our study and evaluation of internal control disclosed the following conditions that we believe to be material weaknesses:

Repeat Comment--Interim Year Financial Statements

Condition: The Township of Baraga is required by State statute to have an audit every two years, unless a single audit is required. However, State law also requires the township to prepare annually a statement of the financial condition of the township. For the year ended March 31, 2003, there was not sufficient financial information available to indicate the amount of cash that belonged in each of the township's various funds. For this reason, it was necessary for us to reconstruct opening balances for each fund before we could proceed with the audit.

Recommendation: We recommend that the township maintain a complete general ledger for each fund and for each year and retain a copy of the year-end financial statements as part of the permanent records of the township.

Issuance of a Receipt for All Revenue Received

Condition: We found that the township does not have any formal policy or procedures for receipting in revenue other than taxes received.

Criteria: The Standards of Internal Control for Federal Governments states that documentation must be maintained. The Uniform Accounting Procedures Manual issued by the Michigan Department of Treasury further enhances this. It states official receipts are to be issued for each collection whether received from an individual, the state, the county, or another local unit department. Receipts must be printer pre-numbered with the name of the local unit printed on the receipt, indicate method of payment, and provide immediate revenue classification in conformance with the Uniform Chart of Accounts. When possible, someone other than the person who writes receipts or posts the accounting records must be responsible to verify that collections received in the mail are properly receipted and collections must be reconciled by an individual not involved in the receipt process.

Recommendation: We recommend that receipts be written for all revenue received from whatever source. Further, the township must maintain a complete and accurate receipt register. Each month the bank deposits should be reconciled with the receipts issued and the cash balance in the general ledger.

BARAGA TOWNSHIP--BARAGA COUNTY

COMMENTS AND RECOMMENDATIONS

MATERIAL INTERNAL CONTROL WEAKNESSES (Continued)

Repeat Comment--General Fixed Assets

Condition: As noted in the prior year audits, the township does not maintain adequate internal controls for fixed assets and a general fixed asset account group is not maintained in accordance with generally accepted accounting principles. The township has not adopted a capitalization policy to determine a “threshold” to capitalize an asset or record it as an expenditure.

Criteria: It is the responsibility of the township to update the fixed assets listing for additions and deletions. Assets purchased during the year and recorded as capital outlay should equal the additions to the fixed asset records. Disposals should equal the reductions to the fixed asset records.

Recommendation: We recommend that the township develop a property management system that includes all of the following steps:

- 1) An inventory of all fixed assets owned by the township should be taken and included in the permanent records of the township and updated annually.
- 2) All assets owned by the township should be permanently labeled in some manner such as individual tags. This will not only facilitate the inventory suggested above, but will also make it more difficult for assets of the township to be removed or used by unauthorized personnel.
- 3) As part of the property management system, the township should keep records on all assets owned by the township which includes the following information:

-Date of Acquisition	-Date of Disposal (when sold or scrapped)
-Tag Number	-Salvage Value (if any)
-Description of Property	-Life of Asset
-Original Cost of Asset	-Depreciation Method of the Asset
-Location of Asset	-Accumulated Depreciation of the Asset

- 4) Capital assets that meet the township's capitalization policy should be included on the capital asset listing.
- 5) Capital outlay/assets which are purchased under the established capitalization threshold or assets with life expectancy of less than 1 year, regardless of cost, should be classified as a supply or repairs and maintenance expenditure.

BARAGA TOWNSHIP--BARAGA COUNTY

COMMENTS AND RECOMMENDATIONS

MATERIAL WEAKNESSES (Continued)

Developing a property management system that includes the above steps will not only facilitate the preparation of financial statements related to fixed assets and provide a system of protection for the assets, it will provide an excellent record for insurance and replacement purposes as well. Governmental Accounting Standards Board (GASB) Statement No. 34 requires fixed assets (capital assets) to be included in the financial statements of the township. Compliance with GASB No. 34 is mandated for the township for the fiscal year ending June 30, 2004 and after.

NONCOMPLIANCE WITH STATE STATUTES AND REGULATIONS

Our examination revealed the following instances on noncompliance with State statutes and regulations.

Excess Expenditures Over Appropriations

Condition: Currently, the township prepares its budget on an activity and line-item basis for certain expenditures. The salaries and wages were all included as one activity. During the year, the township incurred expenditures in certain budgeted activities, which were in excess of the amounts appropriated, as follows:

The township has not complied with certain provisions of Public Act 2 of 1968, as amended. Items of noncompliance are as follows:

	<u>Budget</u>	<u>Actual</u>	<u>(Variance)</u>
General Fund			
Township Hall	\$5,800	\$ 7,321	\$ (1,521)
Roads		10,000	(10,000)
Transfers (Out)		78,230	(78,230)

Criteria: The expenditures of funds in excess of appropriations are contrary to the provisions of Section 17 of Public Act 2 of 1968.

Recommendation: We recommend that the township consider preparing their budget on a line-item basis, including salaries and wages for all departments in the respective activities. Capital outlay should be included as a separate activity with budgets for each department itemized. This will give the township a more accurate picture of the departmental costs, so that it will be more comparable between different fiscal years. The township should continue monitoring their budget on at least a quarterly basis.

BARAGA TOWNSHIP--BARAGA COUNTY

COMMENTS AND RECOMMENDATIONS

NONCOMPLIANCE WITH STATE STATUTES AND REGULATIONS (Continued)

Unlawful Expenditures

Condition: Contributions or appropriations, which are not specifically authorized by the constitution or State statute, cannot be authorized or issued regardless of the worthiness of the cause.

During the fiscal year ended March 31, 2004, we found the following payments made to vendors that appear to be unlawful:

Pelkie Fire Department--Senior Dinner	\$ 500
Baraga Fire Department--Christmas Party	250
Baraga County Gymnastics	4,295
Pelkie Fire Department--Senior Dinner	500

Criteria: Examples of such prohibited expenditures where there is no contract for specific services to lawful wards or function of the local units have been negotiated are as follows:

- Contributions to churches, veterans, nonprofit organizations.
- Donations to a private ambulance or EMS service not under contract with the governmental unit.
- Donations, including use of property or equipment to Little League, Scouts, Big Brother/Sisters.
- Donations to community organizations.
- Per diem compensation to township supervisor, clerk and treasurer on a salary basis for attending township board meetings.

Recommendation: We recommend that the township discontinue appropriating and expending funds contrary to constitutional provisions.